

# Overview

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## Introduction

This handbook provides guidelines for processing an application for Deferred Maintenance funding under the provisions of the Deferred Maintenance Law. The intent of this program is to provide funding, on a matching basis, for the repair and/or replacement of existing school components so that the educational process may safely continue.

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## The Law

The Deferred Maintenance Law is subject to the provisions of Education Code, Section 39618 through 39621 and the State Allocation Board (SAB) Regulations, Title 2, California Administrative Code, Section 1866 through 1866.10. Applicant districts are responsible for complying with all laws, ordinances, and regulations to any project undertaken pursuant to the requirements of the Deferred Maintenance Law.

The SAB in making an apportionment shall assume no legal responsibility for any suits or liens filed against an applicant school district. Neither the State nor any department or agency thereof, in making an apportionment shall be required to assume any responsibility not otherwise imposed upon it by law.

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## Five-Year Plan

The five-year plan is a listing of eligible items of major repair or replacement to be considered over a five-year period. The five-year plan is required by Education Code Section 39619(b). The SAB *does not* fund the projects from the five-year plan but rather approves the projects as being eligible for the district to expend apportionments from their “Deferred Maintenance fund”.

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## Apportionment Types

A district may apply for the following State apportionment types allowed under the Deferred Maintenance law:

TYPE	EDUCATION CODE	SEE PAGE
Basic Apportionment	Section 39619(b), (As revised June 30, 1989)	11
Additional Apportionment	Section 39619.2, (As revised June 30, 1989)	11
Critical Hardship Apportionment	Section 39619.5	12

**In this Handbook**

This handbook covers the following topics:

TOPIC	SEE PAGE
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**Minority, Women and  
Disabled Veterans Business  
Enterprise Contracting  
Goals (M/W/DVBE)**

Applicants filing under the Deferred Maintenance Program, *are not* subject to Minority, Women and Disabled Veterans Business Enterprise Contracting Goals (M/W/DVBE). ☹

## Application Process (Basic/Hardship)

### Introduction

Districts requesting funds from the State School Deferred Maintenance Fund must submit an application or letter each fiscal year, requesting participation in the program.

### Filing of Application

The application may be in letter form, (*Letter from District*), or submitted on *Form SAB 40-2, Annual Application for Funds* (see *Appendix 2, page 2-4*). The application must be signed by the Superintendent of Schools and must be postmarked by the March 31, deadline.

Applications submitted in letter form must state that the district wishes to participate in the deferred maintenance program naming the current fiscal year and have prior approved five-year plan. Applications will be accepted at the start of each fiscal year until March 31, and will be processed on an ongoing basis.

### Filing of the Five-Year Plan

A five-year plan of Deferred Maintenance needs, *Form SAB 40-1, Five Year Plan of Maintenance Needs* (see *Appendix 2, page 2-3*), may be included with the application; however, the district is not required to submit a new five year plan each fiscal year, as long as they have an approved plan on file that encompasses the current fiscal year. The Superintendent must sign at **least one page** of the five-year plan.

### Assignment of Application Number

Upon submittal of the initial application and/or five-year plan an application number will be assigned. This number will be the five digit code in the California Public School Directory following the prefix "40". Districts should use this number when corresponding with the OPSC and the SAB.

### Application Process

The application process includes the following stages:

STAGE	WHO DOES IT	WHAT HAPPENS
1	OPSC	Mails application package to district in October.
2	District	Submits the completed documentation from application package which may include five-year plan and hardship request.

*Continued on the next page*

**Application Process,  
continued**

STAGE	WHO DOES IT	WHAT HAPPENS
3	OPSC	<ul style="list-style-type: none"> <li>Reviews the application documents for completeness and assigns application number;</li> <li>sends hardship application package for those requesting a critical hardship.</li> </ul>
4	SAB	Approves the Five-Year plan.
5	District	Returns hardship package including Cost Estimate, Plot Plan, (Forms SAB 40-12 and 40-12A, respectively).
6	OPSC	Schedules field trip to district to inspect the hardship project.
7	SAB	Approves the application requesting hardship funding.
8	District	Deposits funds in its Restricted Deferred Maintenance fund by September 30 of each year.
9	County Office of	Certifies the amount(s) deposited by district/county superintendent of schools by required date of September 30.
10	OPSC	Establishes an apportionment listing for basic applications.
11	SAB	Approves the apportionment listing for basic applications.
12	OPSC	Processes release of funds through State Controller's office.
13	SAB	Approves any late applications.

**Documents Required for Letter Application**

The following document is required for basic and hardship applications filing with a letter application only (must have prior approved five-year plan that encompasses the year applying):

DOCUMENT NUMBER	DOCUMENT NAME	SEE PAGE
<input type="checkbox"/> None	Letter from district	3

**Documents Required for Application Process**

The following documents are required for application process:

DOCUMENT NUMBER	DOCUMENT NAME	SEE PAGE
<input type="checkbox"/> SAB 40-1	Five-Year Plan of Maintenance Needs (if applicable)	7
<input type="checkbox"/> SAB 40-2	Annual Application for Funds	7

**Documents Required for Critical Hardship Project**

The following documents are required *prior* to approval of a Critical Hardship Project:

DOCUMENT NUMBER	DOCUMENT NAME	SEE PAGE
<input type="checkbox"/> SAB 40-12	Cost Estimate (Critical Hardship)	17
<input type="checkbox"/> SAB 40-12A	Plot Plan	4
<input type="checkbox"/> None	Written Estimate from Contractor	14
<input type="checkbox"/> SAB 40-14	Contribution Requirement (Two or More Critical Projects) (if applicable)	13

**Documents Required for  
Critical Hardship Project  
Fund Release**

The following documents are required for Critical Hardship final fund release:

DOCUMENT NUMBER	DOCUMENT NAME	SEE PAGE
<input type="checkbox"/> None	Completion Notice(s)	17
<input type="checkbox"/> None	Awarded Contract(s)	17
<input type="checkbox"/> SAB 40-12	Cost Estimate (final)	17
<input type="checkbox"/> None	Project Specification(s)	17
<input type="checkbox"/> None	All Related Invoices	17
<input type="checkbox"/> SAB 184DM	Summary of Expenditures and Construction Progress	17
<input type="checkbox"/> SAB 184ADM	Detail Listing of Warrants Issued by the District	17

## Five - Year Plan of Maintenance Needs

<b>Introduction</b>	<p>The first year of the district's five-year plan is the fiscal year in which the district is applying for funding. The original plan may remain in effect for the full five years unless changes are made to the plan and it addresses the current fiscal year. Otherwise the district is required to refile after the fifth year.</p>
<b>Five-Year Plan</b>	<p>The <i>Form SAB 40-1, Five-Year Plan</i>, (see <i>Appendix 2, page 2-3</i>), details the district's <i>total</i> deferred maintenance needs to accomplish the <i>major</i> repair or replacement work load annually over a five-year period. This form must be accompanied by a letter of participation (<i>Letter from District</i>) or an application for funding, <i>Form SAB 40-2, Annual Application for Funds</i>, (see <i>Appendix 2, page 2-4</i>).</p> <p>Projects listed on the five-year plan are eligible items of <i>major</i> repair or replacement and are limited to those school facility components which have approached or exceeded their normal life expectancy (see <i>Appendix 1, Life Expectancy of School Facilities Components, pages 1-1 and 1-2</i>). Facility components with a history of continued repairs, which has indicated a shortened life expectancy, are included as eligible items. Assigning priorities to projects should be made by the district emphasizing projects that would prevent further deterioration and/or damage to school facilities.</p>
<b>Deferred Maintenance Expenditures</b>	<p>The SAB <i>does not</i> fund the projects on the district's five-year plan but rather approves the projects as being eligible expenditures. The expenditure allowed is based on the district's allowance as stated in Education Code Section 39619(b) and certified to the OPSC by the California Department of Education (CDE).</p>
<b>Revising Five-Year Plan</b>	<p>Districts may revise/update five year plans from year to year as needs change. A district may amend its plan in the same fiscal year after the March 31, deadline only if an unanticipated <i>emergency project</i> exists. Plan revisions are not required for estimated cost changes or a change in priorities of projects previously approved by the SAB.</p> <p>The amended plan must be submitted prior to August 1, immediately following the fiscal year. Any plan submitted after the August 1, deadline <i>will not</i> be presented for approval to the SAB.</p> <p>Note: An approved amendment <i>does not</i> extend the five-year plan. ☺</p>

## District Deposit

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### Introduction

The governing board of a school district is required to establish a restricted fund designated for the deposit of district and matching State funds. This fund will be referred to as “Restricted Deferred Maintenance fund”.

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### Deposit of District Funds

Deposits of district funds into the restricted deferred maintenance fund are required by September 30, of each fiscal year, (see *Form SAB 40-7, Certification of Deposits, Appendix 2, page 2-5*). State matching funds as apportioned by the SAB are contingent upon such deposits (see *Maximum SAB Apportionment, page 11*). Any monies deposited into this fund and any interest earned, must be used on the approved projects listed on the district’s five-year plan.

This fund is subject to a yearly audit by OPSC and may also be audited by the State Controller’s office for legal compliance.

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### Transfer of Excess Funds

Whenever the state funds provided pursuant to Section 39618.5 are insufficient to fully match the local funds deposited in the deferred maintenance fund, the governing board of each school district by a two-thirds vote may transfer the excess local funds to any other expenditure classifications in other funds of the district.

If the district elects not to transfer the excess funds deposited to another expenditure classification, the excess funds deposited may be carried over and used to offset some or all of the match required for the subsequent fiscal year. Carryover funds are applicable only to the next fiscal year as each year stands on its own. The determination of the carryover amount will depend on the actual funds deposited in the previous fiscal year. ☺



# Project Expenditures

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## Introduction

The governing board of each district shall have complete control over funds and earnings of funds once deposited into the district's deferred maintenance fund. Expenditures made from this fund must be for projects approved on the district's five-year plan. Expenditures not approved on the five-year plan will be required to reimburse the deferred maintenance fund with district general fund money.

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## Allowable Expenditures

Allowable expenditures are limited to the construction contract (low bid or quotation) for the work approved by the SAB. All work is bid in accordance with the Public Contract Code Section 20114.

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## Expenditures for Reconstruction/Modernization Projects

School districts anticipating expenditures of deferred maintenance funds on projects being performed in conjunction with a reconstruction/modernization project, but outside the allowance, must have the projects on an approved five-year deferred maintenance plan. Failure to include these projects on the five-year plan will result in ineligible expenditures from the district's deferred maintenance fund.

School districts do not have the authority to transfer deferred maintenance funds into the lease-purchase fund. School districts must have the County Superintendent of Schools:

- certify the money is available,
- notify the field representatives for deferred maintenance and the lease-purchase programs, and
- notify that monies are being expended from the deferred maintenance fund.

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## Other Costs

Other costs which the district feels pertinent of the project may also be approvable on a case-by-case basis. For additional information, contact your appropriate OPSC Deferred Maintenance Program Field Representative. ☺

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### Non-Allowable Project Expenditures

The following are *non-allowable* deferred maintenance expenditures:

ITEM NUMBER	EXPENDITURES
1	Administrative costs
2	Projects not approved on Five-Year plan.
3	Repair and maintenance of school facilities that are no longer needed for K-12/Adult education purposes.
4	Repair and maintenance of furniture and equipment.
5	Ongoing preventative maintenance.
6	Installation of new items that did not previously exist.
7	Energy conservation
8	Landscaping and irrigation
9	Athletic stadium equipment (bleachers, scoreboards, etc.)
10	Drapery or blackout curtains
11	Tables and countertops (unless permanently attached to wall)
12	Testing underground storage tank for leaks.
13	Chalkboards and blackboards
14	Construction manager
15	Non - OSA approved buildings
16	Force account labor (contact your deferred maintenance field representative for specifics).

## Basic Apportionment

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### Introduction

To be eligible for matching funds, the district must apply for basic apportionment and have a five-year plan approved by the SAB. To apply complete the *Form SAB 40-2, Annual Application for Funds* and the *Form SAB 40-1, Five-Year Plan of Maintenance Needs*.

### Maximum SAB Apportionment

The maximum amount that the SAB can provide by law for the basic apportionment is based on a district's general fund budget and Average Daily Attendance (ADA) as compared to other school districts of similar size. Each district provides this information to the CDE using the CDE Forms J-56, J-200-DM and J-400-DM.

The County Offices of Education have no established revenue limiting ADA. The County Offices funding level will be calculated using the formula of one-half of one percent of their general fund budget less capital outlay and debt service.

Any questions regarding the calculation or completion of the Forms J-56, J-200-DM, and J-400-DM should be addressed to:

California Department of Education  
Downtown Plaza  
721 Capitol Mall  
Sacramento, CA 95814

### Additional Apportionment

Legislation allows districts to apply for an additional apportionment. This apportionment shall be no greater than the amount calculated for the basic apportionment. For more information, see Education Code Section 39619.2, as revised June 30, 1989. ©

# Critical Hardship Apportionment

## Introduction

Filing for a critical hardship apportionment must be indicated on the *Form SAB 40-2, Annual Application of Funds*, prior to March 31. A critical hardship exists when the SAB determines the existence of all of the following:

- district has deposited the required contribution in its deferred maintenance fund,
- district has a critical project on its five-year plan which, if not completed in one year, could result in serious damage to the remainder of the facility or would result in a serious hazard to the health and safety of the pupils, and
- the total funds deposited by the district and the State are insufficient to complete the project.

SAB regulations permit districts to apply for more than one critical hardship project (see *Multiple Critical Hardship Apportionments*, page 13).

## OPSC Review

Requests for critical hardship apportionment will be reviewed by the OPSC and a “critical hardship application packet” will be mailed to the district. The review process of a critical hardship by OPSC is as follows:

STEP	WHO DOES IT	WHAT HAPPENS
1	District	Applies for critical hardship on SAB 40-2
2	OPSC	Sends “critical hardship application packet”
3	District	Completes hardship packet/Returns to OPSC
4	OPSC	Conducts field check
5	OPSC	Approves application based on field check of school

The approval of the apportionment is contingent upon the field check and the district’s compliance of critical hardship criteria. ☺

## Multiple Critical Hardship Apportionment

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### Introduction

Regulation Section 1866.5 provides methods for funding two or more critical hardship projects. To apply for this additional funding the district must complete the *Form SAB 40-14, Contribution Requirement (Two or More Critical Projects)*, (see *Appendix 2, page 2-8*), and indicate how they intend to finance its second and subsequent critical projects.

A critical project for a district with only one school may also include additional major repair or replacement work deemed essential for basic utilization and functioning of the school.

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### Funding Requirements

The Form SAB 40-14, provides the following requirements for hardship funding of two or more critical projects:

CRITICAL HARDSHIP PROJECT NUMBER	DISTRICT REQUIREMENT
First Project	District is required to deposit its maximum amount determined by the CDE for its first critical project.
Second Project	District is required to contribute 50 percent of the project cost by: <ul style="list-style-type: none"><li>• Cash Contribution</li><li>• District agreement to repay its 50 percent share of the project cost by an offset of future apportionments for a period not to exceed five years or until the apportionment is repayed.</li></ul>
Subsequent Hardship (beyond two)	District is required to make a 50 percent cash contribution for each additional project beyond two.

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### Negotiating Professional Services

The district is expected to negotiate the best possible terms for professional services.

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**Allowable Architect/  
Engineer Fees**

Architect and Engineer fees are allowed under the following conditions:

- An existing system design is faulty and replacement would not alleviate future damage (i.e., a flat roof is redesigned to a sloped system to alleviate recurring leakage and interior damage).
- An obsolete, ineffective system is abandoned due to inability to obtain parts.
- Technological changes prevent portions of the existing system to be used in conjunction with the replacement system and design changes are necessary to accommodate the new system.
- The Division of the State Architect/Office of Regulation Services (DSA/ORS), formerly OSA, determines the need for structural changes.

**Maximum Allowable  
Architect/Engineer Fees**

The architect and engineering compensation fees are limited to 12 percent of the project cost when the project cost does not exceed \$500,000.00. If the estimated project cost exceeds \$500,000.00 the district must contact the OPSC prior to signing any architectural agreement.

The computed cost is the total award from the initial construction contract(s), (*Written Estimate from Contractor*), plus the cost of all approved additive contract change orders (with exception of items resulting from errors and omissions on the part of the architect).

Note: The district is expected to negotiate the best possible terms for professional services. ☺

## Funding Priority For Critical Hardship Projects

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### Introduction

When available funding is insufficient to fully fund all hardship requests in any given fiscal year, the SAB will utilize the priority list. The SAB may make exceptions to the priorities on a case-by-case basis for the benefit of the pupils affected.

### Funding Priority

The SAB will utilize the following prioritization for critical hardship requests for funding:

DESCRIPTION OF PROJECTS	PRIORITY NUMBER
Underground toxic/contaminated tank cleanup removal	1
Roofing	2
Plumbing (water/sewer)	3
Heating/Air-Conditioning	4
Electrical	5
Wall systems	6
Floor systems	7
Paving	8
Other	9

Note: Priority number does not equate to value of priority points.

### Reserve of Funds

The SAB shall maintain a sufficient reserve of funds for unexpected emergencies and ongoing cost increases. ☺

## Fund Release (Basic)

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### Fund Release

Upon receipt that the district has made its required deposit by September 30, the County Office of Education is required to certify the deposit to OPSC on *Form SAB 40-7, Certification of Deposits*, (see *Appendix 2, page 2-5*). The release of funds will be generated on the *Form SAB 40-21, Fund Release Clearance* by the OPSC. The State warrant is issued in the county's name for deposit into the district's fund. ☺

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## Fund Release (Hardships)

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### Introduction

After the SAB approves the hardship project and the estimated costs, the following is the process for the release of funds by the OPSC.

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### Release of 60% of Funds

After the receipt of certification of the district's deposit by the County Office of Education, (Form SAB 40-7), the release of 60 percent of funds will be generated on the *Form SAB 40-21, Fund Release Clearance* by the OPSC.

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### Release of 40% of Funds

When the project has been completed, the district must submit a final project cost breakdown on the *Form SAB 40-12, Cost Estimate* (see *Appendix 2, page 2-6*) and include the documentation to support the Form 40-12, as follows:

- summary of bids
- award of contracts
- project specification
- notice of completion
- invoices

Additionally, the following forms are required by the Other Programs Audit Group of OPSC but are not limited to:

- Form SAB 184DM, *Summary of Expenditures and Construction Progress*;
- Form SAB 184ADM, *Detailed Listing of Warrants Issued by the District* (see *Appendix 2, pages 2-9 and 2-10, respectively*).

The remaining 40 percent will be released in whole or part once the above documents are received by OPSC and the project is completed and based upon any apportionment adjustments. Such adjustments will be submitted to the SAB for consideration at this time. ☺

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